



THE MISSOURI BUDGET

FISCAL YEAR 2008

GOVERNOR MATT BLUNT

THE MISSOURI BUDGET

FY 2008 BUDGET OVERVIEW GENERAL REVENUE SUMMARY (millions of dollars)

Available Resources

Beginning Balance	\$515.9
Anticipated FY 2007 Lapse	111.3
Consensus Revenue Estimate	7,919.4
Governor's Proposed Tax Changes	(102.7)
Transfers to Fund	<u>150.2</u>
	\$8,594.1

Obligations

FY 2007 Operating Appropriations	\$7,721.7
Core Reductions	(76.3)
Supplemental/Estimateds/Citizen's Commission Setaside	96.5
Mandatory Operating	321.6
Mandatory FMRF	72.1
Discretionary Operating	246.1
Discretionary Capital Improvements	<u>12.3</u>
	\$8,394.0

Ending Balance	\$200.1
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THE MISSOURI BUDGET

FY 2008 GOVERNOR'S RECOMMENDED GENERAL REVENUE NEW DECISION ITEMS SUMMARY (millions of dollars)

Medicaid	\$152.3
Elementary and Secondary Education	105.5
Facilities Maintenance and Repair	72.1
MO HealthNet	57.6
Higher Education Institutions	39.5
Pay Plan	40.4
Alternative Fuels—Biodiesel	28.5
Department of Mental Health	15.6
Higher Education Scholarships	13.7
Debt Principle and Interest	12.7
Capital Improvements	12.3
Economic Development (TIF, MODESA, Job Development)	11.2
Athlete and Entertainer Distribution	7.5
Alternative Fuels—Ethanol	6.4
Missouri Veterans' Home Fund Assistance	6.2
Autism Resources	3.9
Tourism	2.9
Other	53.8
Grand Total	<u>\$652.1</u>

THE MISSOURI BUDGET

Lewis and Clark Discovery Initiative

In 2007, Governor Blunt recommends the following as essential components of the vision of the Lewis and Clark Discovery Initiative:

- Quick validation of the Lewis and Clark Discovery Initiative Cooperative Agreement to allow the \$335 million in higher education capital improvement projects to get underway as soon as possible and provide \$15 million for the Missouri Technology Corporation to attract and retain high technology companies and commercialize existing research.

The Governor's budget includes the following items:

- \$25 million for Missouri's need-based financial aid programs (included in the Fiscal Year 2007 supplemental budget).
- \$3.4 million for expansion of the Primary Care Resource Initiative (PRIMO) scholarship and Area Health Education Centers (AHEC) program. Both programs promote health care accessibility in underserved areas of the state by recruiting and helping students seeking health care careers (included in the Fiscal Year 2007 supplemental budget).
- \$60 million to provide equipment and infrastructure costs for Federally Qualified Health Centers (FQHCs) throughout the state. These centers provide comprehensive primary care to low-income and medically underserved urban and rural communities and work closely with Missouri's higher education institutions (included in the Fiscal Year 2007 supplemental budget).

THE MISSOURI BUDGET

MO HealthNet

*Governor Blunt's goals for the new Medicaid program, **MO HealthNet**, include:*

- Focusing on health awareness and promoting wellness through preventative care, such as regular checkups, immunizations, and screenings for early detection of disease.
- Transforming recipients into participants who have increased patient choice and increased access to information about their health care needs.
- Paying health care professionals for performance, not just the number of tests and procedures.
- Incentivizing healthy behaviors for participants to improve their quality of life and improve health outcomes.
- Committing to invest in premium offsets for lower-income Missourians, to reduce the number of uninsured Missourians.

• \$151.1 million, including \$57.6 million general revenue, for the MO HealthNet Program:

- ⇒ \$52.9 million, including \$20 million GR, to improve access to health care providers.
- ⇒ \$32.6 million, including \$12.1 million GR, for annual health risk assessments.
- ⇒ \$20.2 million, including \$7.6 million GR, for medical coverage for the working disabled.
- ⇒ \$26.5 million, including \$10 million GR, to make health care coverage affordable.
- ⇒ \$7.8 million, including \$2.1 million GR, to expand health care coverage to families.
- ⇒ \$5.0 million, including \$2.5 million GR, to help participants chose a health care home.
- ⇒ \$6.1 million, including \$3.3 million GR, for pay for performance incentives, assist in attaining self-sufficiency, and extend health care benefits to foster children until their 21st birthday.

THE MISSOURI BUDGET

FY 2008 Pay Plan Summary

3% Pay Raise across the board for all state employees (does not include elected officials or judges)

The costs of this recommended pay raise are as follows:

Without fringe \$33.1M GR + \$9M Federal + \$20.4M Other Funds for a total of \$62.5 million

Including fringe \$39.9M GR + \$11M Federal + \$23.2M Other Funds for a total of \$74.1 million

Selected Repositioning recommended by the Personnel Advisory Board (PAB)

The costs for the Repositioning Plan for 420 employees are as follows:

Without fringe \$397K GR + \$212K Federal + \$11K Other Funds for a total of \$620K

Including fringe \$480K GR + \$260K Federal + \$14K Other Funds for a total of \$754K

The Repositioning Plan will address situations in job classes where recruitment and retention issues affect the ability of the agencies that are part of the Uniform Classification & Pay (UCP) System to perform their work. These positions include: in the Department of Health and Senior Services, the classes of Health Facilities Consultant and Facility Surveyor I, II, and III who perform inspection and survey of long-term care and health facilities (87 employees with turnover rates of 12 to 17% repositioned one pay range). In the Department of Social Services, the classes of Children's Service Supervisor and Child Support Enforcement Supervisor to equalize pay for supervisory positions and encourage advancement and promotion (333 employees with turnover rates of 8%, repositioned one pay range).

3% plus Repositioning Summary

Without fringe \$33.5M GR + \$9.2M Federal + \$20.4M Other Funds for a total of \$63.1 million

Including fringe \$40.4M GR + \$11.3M Federal + \$23.2M Other Funds for a total of \$74.9 million

In addition to the above statewide pay raise plan, the Governor is recommending \$1.9 million GR to the Department of Mental Health to provide an additional 3% for 3,000 direct care staff including Psychiatric Aides and Developmental Assistants. This was a recommendation of the Governor's Mental Health Task Force.

THE MISSOURI BUDGET

TAX REFORM AND RELIEF FOR MISSOURI CITIZENS AND BUSINESSES

Governor Blunt proposes the following reductions, which total \$132.7 million:

- 1 Exempt Social Security Benefits from Income Tax – \$100 million. This proposal exempts all social security retirement benefits and replacement programs from Missouri income tax. Since Missouri taxable income is derived from Federal Adjusted Gross income, benefits are subject to Missouri tax to the extent they are subject to federal tax. Generally, social security benefits are not taxed in Missouri if the taxpayer's total income is under \$32,000 for joint filers, or \$25,000 for single filers.
- 2 Raise Corporate Franchise Tax Threshold – \$14 million. This antiquated tax on business assets is collected in addition to corporate income tax. This proposal raises the threshold from \$1 million to \$15 million, if the business meets the health care provisions outlined in the Quality Jobs Act. Raising the threshold will assist many small businesses by reducing their tax burden and simplifying tax preparation. Further, this proposal will make the state more attractive to firms considering expansion.
- 3 Increase the Cap on the Quality Jobs Program – \$12 million. Governor Blunt's signature job creation program has proven to be both highly popular and a successful economic development tool since its inception in 2005. However, the program has exhausted its available incentives. In order to continue attracting and retaining family-supporting jobs, the program cap should be raised.
- 4 Increase the Cap on the Missouri Agricultural and Small Business Development Authority Tax Credits – \$4 million. The current expansion of ethanol and biodiesel projects is expected to completely absorb the credits available for this program. In order to support the development of other important value-added agricultural businesses, the cap on this program should be raised.
- 5 Increase the Long-Term Care Insurance Deduction – \$2.7 million. Currently, 50 percent of certain premiums paid for long-term care insurance is deductible from Missouri individual taxable income. This proposal would make 100 percent of these premiums deductible, and will encourage Missourians to make health care a personal responsibility.

In light of recent court decisions, Governor Blunt recommends the following tax changes:

- 6 Correcting Missouri Sales Tax Law – \$30 million. This proposal restores the original legislative intent to the manufacturing exemption and the rental definition of Missouri sales tax law. Recent Missouri Supreme Court decisions have applied two sales tax exemptions very broadly. First, the exemption for equipment, machinery, and supplies used to manufacture products has been extended to telephone calls and financial information. In addition, current law does not clearly permit the Department of Revenue to apportion taxation where a piece of equipment is used for taxable and non-taxable purposes. Thus, companies may claim that equipment is fully exempt when its manufacturing use may be less than 20 percent of its full usage. Second, the state's ability to collect sales/use tax on rental transactions has been weakened by decisions adopting a strained interpretation of the state tax term "lease."

THE MISSOURI BUDGET

Executive Summary Governor Matt Blunt's Fiscal Year 2008 Budget

To make our students and education the state's number one priority, Governor Blunt recommends the following increases:

- \$132.6 million to fully fund the foundation formula.
- \$39.5 million for Missouri's public two- and four-year colleges and universities.
- \$27.9 million for the School District Trust Fund distribution of state sales tax to local school districts.
- \$20.4 million for the state's scholarship programs, allowing additional students access to higher education and encouraging the state's top academic achievers to attend Missouri institutions.
- \$6 million for the High Need Program, which reimburses school districts based on student needs.
- \$3.6 million for the A+ Schools Program.
- \$2.9 million to expand the eMINTS program to 100 classrooms in 100 different schools and focus on math and science curriculum. eMINTS integrates technology and core curriculum in the classroom.
- \$2.6 million for the new Virtual Schools Program.
- \$2 million for the Parents as Teachers Program.
- \$2 million to develop a cooperative School of Engineering between the University of Missouri-Rolla and Missouri State University in Springfield (includes Fiscal Year 2007 supplemental funding).
- \$1 million for Afterschool programs expansion with emphasis on math and science, as well as health and wellness.
- \$510,571 for Character Education programs that address school safety issues.

THE MISSOURI BUDGET

- \$477,626 for the Career Ladder Program.
- \$250,000 for the Advanced Placement program to provide up to 50 percent reimbursement for students taking math or science exams.
- \$175,000 for Urban Flight and Rural Needs scholarships that provide funding for Missouri students pursuing careers in elementary and secondary education.

For Missouri's children, Governor Blunt recommends the following increases:

- \$12.5 million for the School Food Program, which provides nutritious meals in Missouri schools.
- \$5.7 million to provide child care for working families who earn less than 112 percent of the federal poverty level. This funding will ensure no qualified Missouri family will wait for child care.
- \$5.7 million to provide additional placements through the Adoption Subsidy and Subsidized Guardianship programs, which provide permanent homes for abused and neglected children.
- \$3.9 million for autism services to reduce waiting lists for diagnostic services, expand regional treatment services for children, and help develop an intensive day treatment pilot project.
- \$3.3 million to contract with county prosecuting attorney's offices for the enforcement of obligations for delinquent child support payments from parents.
- \$3.2 million to provide an increase in payments to service providers of residential care for abused and neglected children.
- \$2.1 million to assist the state's child welfare program in achieving national accreditation.

To create high-quality, family supporting jobs in Missouri, the Governor recommends the following increases:

- \$35.7 million directed towards agricultural research.

THE MISSOURI BUDGET

- \$10 million for a Vehicle and Power Center at Linn State Technical College, which will train students for high-paying jobs in the transportation, heavy equipment, and power industries.
- \$7.5 million distributed to enhance cultural opportunities in the state through the Missouri Arts Council, Missouri Humanities Council, Missouri Public Television Broadcasting Corporation, Missouri State Library Network, and the Historic Preservation Revolving Fund.
- \$4 million for port authority capital improvement projects that will improve the state's economic infrastructure and the ability to transport Missouri goods to market.
- \$3.5 million for the Missouri Job Development Fund, which provides job training primarily through Missouri's community colleges.
- \$2.9 million to promote Missouri through the state's tourism industry.
- \$2.7 million for MODESA (Missouri Downtown Economic Stimulus Act) to facilitate the redevelopment of downtown areas and create jobs by providing essential public infrastructure.
- \$125,000 for Innovation Centers, which increase the state's commitment to create new knowledge, accelerate the transfer of knowledge to the marketplace, and promote the growth of entrepreneurial firms.

For safe and efficient transportation, Governor Blunt recommends the following increases:

- \$403 million for road and bridge construction and maintenance.
- \$5.7 million for federal Transportation Enhancement Program funds to be used to enhance transportation options throughout the state.
- \$2 million for grants aimed at reducing death, injury, and property damage on state highways.
- \$800,000 to maintain twice-daily passenger rail service between St. Louis and Kansas City.

THE MISSOURI BUDGET

- \$700,000 for employment-related transportation to welfare recipients and other low-income individuals through the federal Job Access and Reverse Commute Transit Program.
- \$457,322 for additional transit grants to non-urbanized areas of the state and small city transit systems that provide access to medical care, social services, and employment.

To improve care and transform Missouri's health care safety net to the new MO HealthNet program, the Governor recommends the following increases:

- \$52.9 million to improve access to health care providers serving low-income Missourians.
- \$32.6 million to provide an annual health risk assessment for MO HealthNet recipients.
- \$26.5 million to make health care coverage affordable to lower-income Missourians.
- \$20.2 million to provide medical care for employed, disabled clients.
- \$7.8 million to expand health care coverage to families through the State Children's Health Insurance Program (SCHIP).
- \$5 million to help MO HealthNet participants choose a health care home.
- \$2.9 million to fund pay-for-performance incentives to providers participating in the Chronic Care Improvement Program.
- \$1.7 million to extend health care benefits to foster children until their 21st birthday.
- \$1.5 million to assist custodial parents on MO HealthNet achieve self-sufficiency.

To improve Missourians' health, the Governor recommends the following increases:

- \$40.6 million to modernize the state's Medicaid payment system.
- \$8.7 million to purchase antiviral medications for use in the event of a pandemic flu outbreak (included in the Fiscal Year 2007 supplemental budget).

THE MISSOURI BUDGET

- \$5 million for enhancing information technology at Federally Qualified Health Centers (FQHCs) by building an electronic health records system.
- \$2.5 million to support a secure, statewide database creating electronic health records.
- \$1.7 million for the state's health lab, including funds for additional newborn screenings.
- \$1 million to modernize nursing assistant registries maintained by the state.
- \$1 million to expand the state's tobacco prevention efforts, focusing on children.
- \$850,000 for a Laboratory Information Management System for the state's health lab.
- \$840,000 for continued operation of the successful Missouri Telehealth Network, which enhances access to medical care to people in underserved areas.
- \$300,000 to enhance the Family Care Safety Registry, which provides background screenings requested by long-term care facilities, home health agencies, mental health agencies, and child care centers.
- \$230,000 to update the Bureau of Narcotics and Dangerous Drugs registration database and coordinate with the federal Drug Enforcement Administration.

To improve the state's mental health system, Governor Blunt recommends the following increases:

- \$9.4 million to improve staffing at the state's habilitation centers and provide additional funding for clients transitioning to the community.
- \$3.7 million to coordinate services for persons with mental retardation and developmental disabilities around the state.
- \$3.6 million to improve services provided to psychiatric clients at Fulton State Hospital.
- \$2.8 million to implement the Mental Health Transformation Grant and develop a plan for improved mental health care delivery in Missouri.

THE MISSOURI BUDGET

- \$2.5 million to develop integrated home and community-based services for children and youth with serious emotional disturbances, and their families through the Circle of H.O.P.E. grant.
- \$2.5 million to advance health information technologies that improve the overall health of individuals with psychiatric and medical illnesses.
- \$2 million to provide services to additional low-income mental health clients.
- \$1.9 million for a pay increase for direct care staff in mental health facilities.
- \$1.4 million to provide Department of Mental Health stakeholders better access to data and provide performance information.
- \$750,000 to develop a pilot project between the FQHCs and community mental health centers around the state to coordinate physical and behavioral health care services.
- \$500,000 to provide additional staff training and development on client safety issues.
- \$300,000 to support the accreditation of the state's facilities for the developmentally disabled.

For seniors and disabled Missourians, the Governor recommends the following increases:

- \$26.5 million to improve care delivered to seniors and disabled Missourians in nursing home settings.
- \$12.6 million to improve the quality of care being delivered to individuals receiving in-home services.
- \$5 million for the Special Education Grant Program.
- \$1.5 million to assist the visually impaired.
- \$976,395 to assist visually impaired students transition to college and provide outreach services.
- \$300,000 for transportation services and public transportation alternatives to assist

THE MISSOURI BUDGET

persons with disabilities through the federal New Freedom Transit Program.

- \$122,708 to assist non-profit agencies serving senior citizens and persons with disabilities.
- \$10,095 to provide automatic speech recognition technology for the Commission for the Deaf.

To protect Missouri families, assist Missouri's law enforcement officials, and prevent crime, Governor Blunt recommends the following increases:

- \$8.1 million to begin implementation of a statewide interoperable radio system that will improve communication and public safety. The system will make sure law enforcement, public safety workers, and local officials can better communicate during an emergency or natural disaster.
- \$3.5 million to expand state crime lab services in the City of Springfield and Jasper County.
- \$2 million to replace equipment for the Water Patrol.
- \$1 million for a new fingerprint application identification system that will speed the state's processing of background checks.
- \$500,000 to provide grants to law enforcement agencies fighting child exploitation on the Internet.
- \$237,456 to assist state and local agencies in developing and maintaining effective hazard mitigation plans and logistical capability for disaster response and recovery.
- \$217,836 for the Missouri Information Analysis Center to assist in coordinating homeland security information.
- \$150,000 to improve services for victims of domestic violence by expanding the statewide victim notification system to include orders of protection.
- \$100,000 to enable background checks via the Internet, reducing wait time for employers and other requesting parties.

THE MISSOURI BUDGET

To protect Missourians and aid in the rehabilitation of offenders, the Governor recommends the following increases:

- \$1.8 million for additional contracted community facilities to monitor offenders on parole.
- \$1.7 million to upgrade computer networks at various adult correctional institutions.
- \$1.5 million to operate an additional unit to confine sexual offenders.
- \$800,000 for additional substance abuse treatment services for offenders.
- \$266,700 for laptop computers to improve the efficiency of Probation and Parole staff by allowing remote access to the Offender Management Information System.
- \$240,000 for victim impact education for offenders.
- \$125,350 to provide case management, psychiatric services, and medication assistance for offenders in community supervision.

To protect innocent life, Governor Blunt recommends the following:

- \$760,000 to maintain the current level of funding for the Alternatives to Abortion Program.
- \$200,000 in additional funding for the Alternatives to Abortion Program.

To support Missouri's agriculture industry, Governor Blunt recommends the following increases:

- \$28.5 million to the Missouri Qualified Biodiesel Producer Incentive Fund to honor obligations for biodiesel production payments.
- \$6.4 million to the Missouri Qualified Fuel Ethanol Producer Incentive Fund to honor obligations for ethanol production payments.
- \$5.1 million to fulfill all commitments made in previous years to ethanol producers (included in the Fiscal Year 2007 supplemental budget).

THE MISSOURI BUDGET

- \$710,909 to replace laboratory equipment and supplies for the Division of Plant Industries.
- \$286,563 to replace commodity scale inspection trucks for the Division of Weights and Measures.
- \$198,000 for improved technologies to enhance disease surveillance in Missouri's livestock markets.
- \$108,100 to expand the state's Meat and Poultry Inspection Program.
- \$83,766 to improve efficiency of Weights and Measures staff by allowing them to conduct regulatory functions at the site of inspection.

To protect Missouri's environment, Governor Blunt recommends the following increases:

- \$8.9 million for debt service requirements and associated costs to issue \$50 million in additional Water Pollution Control Bonds. The bonds will fund water quality grants and loans to communities throughout the state that will control water pollution, and improve water supply and sewer systems.
- \$1.1 million to continue current funding for the environmental emergency response program, which responds to emergencies that threaten the environment.
- \$585,600 to explore alternative energy production projects that will help preserve Missouri's environment.
- \$460,213 to provide additional support for safe drinking water testing.

To care for Missouri's veterans and emphasize Missouri's commitment to those who serve in the military, Governor Blunt recommends the following increases:

- \$5 million to maintain the quality services provided to veterans residing in Missouri veterans' homes.
- \$4.5 million for equipment upgrades in veterans' homes throughout the state.

THE MISSOURI BUDGET

- \$1.2 million for increased medical costs at veterans' homes.
- \$543,721 to add Vietnam War veterans to those recognized by the state for their service to our country.

To maintain a high-performing, efficient workforce, Governor Blunt recommends the following increases:

- \$74.1 million for a three percent pay raise for all employees.
- \$15 million to recognize the liability of future retiree health care costs. Pre-funding this liability is key to sound financial management, protecting the state's bond rating, and ensuring compliance with Governmental Accounting Standards Board statements.
- \$754,537 to provide pay raises for critical state positions with high turnover rates.